

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name New Buffalo Township	County Berrien
Fiscal Year End June 30, 2007	Opinion Date December 7, 2007	Date Audit Report Submitted to State December 21, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

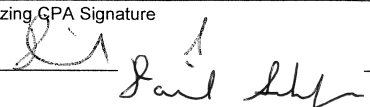
YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>	N/A		
Certified Public Accountant (Firm Name) Schaffer & Layher PLLC		Telephone Number (269) 983-0131		
Street Address 805 Van Brunt Avenue		City St. Joseph	State MI	Zip 49085
Authorizing CPA Signature 		Printed Name David Schaffer		License Number 1101019753

**NEW BUFFALO TOWNSHIP**  
**BERRIEN COUNTY, MICHIGAN**

**FINANCIAL REPORT**

**June 30, 2007**

**NEW BUFFALO TOWNSHIP  
Berrien County, Michigan  
June 30, 2007**

**TOWNSHIP BOARD**

Agnes Conway

Supervisor

Rolland Oselka

Clerk

Jack Rogers

Treasurer

Peter Rahm

Trustee

Quincy White

Trustee

**NEW BUFFALO TOWNSHIP  
Berrien County, Michigan  
June 30, 2007**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
New Buffalo Township, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of New Buffalo Township, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of New Buffalo Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of New Buffalo Township, Michigan, as of June 30, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2007, on our consideration of New Buffalo Township, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 37 through 38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the New Buffalo Township, Michigan's basic financial statements. The individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in dark ink that reads 'Schaffer &amp; Layher' in a cursive script.

Schaffer & Layher  
December 7, 2007

David Schaffer, CPA  
Michael Layher, CPA  
Founding Partners:  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Trustees  
New Buffalo Township, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of New Buffalo Township, Michigan, as of and for the year ended June 30, 2007, which collectively comprise New Buffalo Township, Michigan's basic financial statements and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Buffalo Township, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of New Buffalo Township, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of New Buffalo Township, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects New Buffalo Township, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of New Buffalo Township, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the New Buffalo Township, Michigan's internal control. We consider the deficiencies described as 2007-1 and 2007-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by New Buffalo Township, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

To the Board of Trustees  
New Buffalo Township, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether New Buffalo Township, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of New Buffalo Township, Michigan, in a separate letter dated December 7, 2007.

New Buffalo Township, Michigan's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit New Buffalo Township, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Schaffer & Layher  
December 7, 2007

## **Schedule of Findings and Responses**

The following findings have been identified as significant deficiencies:

### **Finding 2007-1**

#### Financial Reporting Process

Personnel responsible for financial reporting have time and monetary constraints that require assistance in preparing the financial statements and related footnotes. The staff of the Township does understand all information included in the annual financial statements, but obtains assistance in the preparation. Internal controls should be in place to provide reasonable assurance to the Township that management prepare, monitor, and report annual financial activity without auditor intervention. The effect of this condition places a reliance on the independent auditor to be part of the Township's internal controls over financial reporting. The Township should review and implement the necessary education and procedural activities to monitor and report annual financial activity.

#### Management Response

We are aware of this deficiency. However, due to budgetary constraints we have not developed these processes. During fiscal 2008, we will assess the feasibility and cost of contracting with a qualified third-party to improve our internal controls over financial reporting.

### **Finding 2007-2**

#### Segregation of Duties

The Township lacks an appropriate segregation of incompatible duties with appropriate control objectives. We understand this is primarily due to financial constraints.

#### Management Response

We are aware of this deficiency; however, given the size of our entity and our available resources, it is difficult to provide for appropriate segregation of incompatible duties for all accounting functions. However, we will evaluate available options to administer limited segregation of duties for key accounting functions given our current resources.

**Using this Annual Report**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

**Financial Highlights**

The Township's combined net assets increased .1% from a year ago—increasing from \$9,833,917 to \$9,838,989. As we look at the governmental activities separately from the business-type activities, we can see that the governmental activities experienced an increase in net assets of \$88,786 during the year, while the business-type activities experienced a decrease in net assets of \$83,714.

**Overview of the Financial Statements**

This report consists of four parts---*management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and an optional section that presents financial statements for the non-major governmental fund. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the Township government, reporting the Township's operations in more detail than the government-wide statements.
  - The *governmental funds statements* tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - *Proprietary fund statements* offer *short- and long-term* financial information about the activities the government operates *like businesses*, such as the water and sewer system.
  - *Fiduciary fund statements* provide information about the financial relationships, in which the Township acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. In addition to the required parts of the report, we have included a section with financial statements that provide details about our non-major governmental fund. The following table summarizes the major features of the Township's financial statements, including the portion of the Township government they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis explains the structure and contents of each of the statements.

**Overview of the Financial Statements, Concluded**

Major Features of New Buffalo Township's Government-Wide and Fund Financial Statements				
	Government-Wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Township government (except fiduciary funds) and the Township's Component units.	The activities of the Township that are not proprietary or fiduciary, such as ambulance, building, and liquor.	Activities that the Township operates similar to private businesses: the water and sewer system.	Instances in which the Township is the trustee or agent for someone else's resources, such as property tax collections.
Required Financial Statements.	> Statement of net assets > Statement of activities.	> Balance Sheet > Statement of revenues, expenditures, and changes in fund balances.	> Statement of net assets > Statement of revenue, expenses, and changes in net assets. > Statement of cash flows	> Statement of fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term; the Township's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information.	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All revenues and expenses during year, regardless of when cash is received or paid.

**Government-wide Statements**

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets are the difference between the Township's assets and liabilities, which is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base and condition of the Township's infrastructure.

**Government-wide Statements, Concluded**

The government-wide financial statements of the Township are divided into three categories:

- **Governmental activities**—Most of the Township's basic services are included here, such as general government, public safety, public works, and recreation and culture.
- **Business-type activities**—The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system are included here.
- **Component units**—The Township includes one other entity in its report—the New Buffalo Township Library. Although legally separate, the “component unit” is important because the Township is financially accountable for it.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Township's most significant funds—not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Township Board establishes other funds to control and manage money for a particular purpose (i.e. building or liquor sales tax monies) or to show that it is properly using certain taxes and grants (i.e. ambulance monies).

The Township has the following three kinds of funds:

- ***Governmental Funds***—Most of the Township's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- ***Proprietary Funds***—Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. In fact, the Township's enterprise funds (a type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- ***Fiduciary Funds***—The Township is the trustee, or fiduciary, for its property tax collections. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**Financial Analysis of the Township As A Whole**

The Township's combined net assets were \$9,838,989. In a condensed format the following table below shows a breakdown of the net assets:

	Governmental Activities	Business-Type Activities	Total June 30, 2007	June 30, 2006
Current assets	\$ 878,131	\$ 5,981,415	\$ 6,859,546	\$ 5,744,694
Equity investment	-	3,837,668	3,837,668	3,825,650
Capital assets	492,483	7,699,934	8,192,417	6,466,083
Other assets	-	43,723	43,723	-
<b>Total Assets</b>	<b>\$ 1,370,614</b>	<b>\$ 17,562,740</b>	<b>\$ 18,933,354</b>	<b>\$ 16,036,427</b>
Long-term debt outstanding	\$ -	\$ 8,250,121	\$ 8,250,121	\$ 6,023,911
Other liabilities	69,339	774,905	844,244	178,599
<b>Total Liabilities</b>	<b>\$ 69,339</b>	<b>\$ 9,025,026</b>	<b>\$ 9,094,365</b>	<b>\$ 6,202,510</b>
Net Assets				
Invested in capital assets, net of related debt	\$ 492,483	\$ 2,556,085	\$ 3,048,568	\$ 3,266,687
Unrestricted	808,792	5,981,629	6,790,421	6,567,230
<b>Total Net Assets</b>	<b>\$ 1,301,275</b>	<b>\$ 8,537,714</b>	<b>\$ 9,838,989</b>	<b>\$ 9,833,917</b>

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations, decreased by \$31,044 for the governmental activities. The current level of unrestricted net assets for governmental activities stands at \$808,792 or about 88% of expenditures. This is within the targeted range set by the Township Board during its last budget process. Capital assets increased \$1,726,334 from prior year. This increase is primarily due to construction costs associated with the Township's 2007 water expansion project and Michigan City water project. Capital additions related to these projects totaled \$1,487,048 and \$410,542, respectively. Long-term debt outstanding increased due to a \$2,600,000 bond issue used to finance the Township's 2007 water expansion project.

The following table shows the changes of the net assets as of the current date.

	Governmental Activities	Business-Type Activities	Total June 30, 2007	June 30, 2006
Program Revenues				
Charges for services	\$ 309,369	\$ 762,372	\$ 1,071,741	\$1,023,077
Operating Grants and Contributions	-	-	-	-
General Revenues				
Property Taxes	365,277	-	365,277	306,948
State Shared Revenues	140,343	-	140,343	140,010
Grant Income	-	-	-	89,030
Tap Fees - Infrastructure	-	34,037	34,037	268,586
Interest and Rentals	120,908	83,464	204,372	189,426
Miscellaneous	75,129	-	75,129	25,967
Special Items	-	12,018	12,018	20,771
Total Revenues	<u>\$ 1,011,026</u>	<u>\$ 891,891</u>	<u>\$ 1,902,917</u>	<u>\$2,063,815</u>
Program Expenses				
General Government	\$ 665,947	\$ -	\$ 665,947	\$ 619,948
Public Safety	210,231	-	210,231	173,078
Public Works	19,930	-	19,930	12,599
Recreation and Culture	26,047	-	26,047	7,227
Interest on Long-Term Debt	85	-	85	166
Water	-	497,003	497,003	334,420
Sewer	-	478,602	478,602	479,098
Total Expenses	<u>\$ 922,240</u>	<u>\$ 975,605</u>	<u>\$ 1,897,845</u>	<u>\$1,626,536</u>
Change in Net Assets	<u>\$ 88,786</u>	<u>\$ (83,714)</u>	<u>\$ 5,072</u>	<u>\$ 437,279</u>

The Township's net assets continue to remain healthy. Net assets remained relatively stable, increasing by \$5,072. The Township's total revenues decreased by \$160,898 from prior year due to a decrease in revenues from business-type activities. Business-type activities revenues decreased \$244,286 primarily due to \$89,030 of federal grant money that was received in 2006 but not received in 2007, as well as a decrease in infrastructure tap fees of \$234,549. The Township's total expenses increased by \$271,309 primarily due to an increase in business-type activities expenses. The \$162,087 increase in business-type expenses was primarily due to purchases of water from the City of New Buffalo totaling \$101,126 that were not made in 2006, as well as an additional \$66,869 of interest expense on outstanding bonds.

### **Governmental Activities**

The Township's total governmental revenues and expenses increased by \$83,388 and \$109,222, respectively. The revenue increase was primarily the result of an increase in property tax revenue and an increase in miscellaneous revenue, which is primarily attributed to a one-time donation received by the Township's ambulance fund. The expense increase was primarily due to increases in professional fees and repairs related to various governmental functions.

**Business-Type Activities**

The Township's business-type activities consist of the Water and Sewer Funds. The Township provides water to its residents from the New Buffalo Township's water system and sewage treatment through the GRSD Sewer Authority sewage treatment plant. In 2007, total revenues decreased by \$244,286, primarily due to a decrease in infrastructure tap-in fees of \$234,549 and federal grant income of \$89,030 that, in the prior year, the Township received from the USDA. Total expenses increased \$162,087 primarily due to increased water purchases from the City of New Buffalo of \$101,126 and an increase in bond interest expense of \$66,869.

**The Township's Funds**

Our analysis of the Township's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The Township's major funds for 2007 included the General Fund, Ambulance Fund and the Building Fund.

The General Fund pays for most of the Township's governmental services, including legislative, fire, cemetery, and other services. The most significant services are legislative and fire, which had expenditures of approximately \$113,524 and \$103,735, respectively, in 2007. The services are supported by general revenue sources of the General Fund.

**General Fund Budgetary Highlights**

The Township did not make amendments to the budget during fiscal 2007. Budget overruns included the following:

- The assessing equalization department was over budget by \$8,610. This overrun was primarily due to actual assessor salary and attorney's fees being higher than what was originally budgeted for.
- Capital outlay was over budget by \$180,979. This is a result of the purchase of a new fire truck not being included in the original budget.

**Capital Asset and Debt Administration**

At the end of June 30, 2007, the Township had investment in capital assets for its governmental and business-type activities of \$8,192,417 (net of depreciation). This investment includes a broad range of capital assets, including land, buildings and improvements, furniture and equipment, water and sewer lines, and construction in progress. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statement because of Michigan law, which makes these roads the property of the Berrien County Road Commission, along with the responsibility to maintain them. The Township chose not to retroactively report any other infrastructure assets, and will only report any additions prospectively in accordance with G.A.S.B. #34.

In the current year, the Township invested \$1,487,048 related to the 2007 Township water expansion project and is included in construction in progress at June 30, 2007. Additionally, the Township invested \$410,542 related to the Michigan City water project, and \$180,979 for the purchase of a new fire truck.

**Capital Asset and Debt Administration, Concluded**

At the end of the current fiscal year, the Township had total debt outstanding of \$8,250,121 (net of unamortized discounts). The Township paid off the remaining balance of the governmental activities debt in fiscal 2007. The Township's business-type activities debt increased due to the issuance of \$2,600,000 in bonds for construction of the Township's water expansion project. This was offset by a reduction to existing business-type activities debt of \$371,290.

**Economic Factors and Next Year's Budgets and Rates**

The Township's anticipates revenue over expenditures in the governmental and business-type activity funds for fiscal 2008.

In August 2007, a major casino, the Four Winds Casino of the Pokagon Band of the Pottawatomie Indians ("Pokagon Band"), opened within the Township limits. A revenue sharing agreement was entered into between the State of Michigan and the Pokagon Band in which the Township will receive bi-annual revenue sharing payments based on certain of the Casino's gaming revenues, as stated in the agreement. Although the amount of bi-annual payments is not yet known, the Township estimates that it may received between \$400,000 and \$900,000 annually. The revenue sharing payments will primarily be used to fund public safety activities for the Township.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

The financial report of the discretely presented component unit, New Buffalo Township Library, can be obtained directly from the management of the Library.

**GOVERNMENT-WIDE STATEMENT OF NET ASSETS**  
**June 30, 2007**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash and Cash Equivalents	\$ 713,885	\$ 1,455,702	\$ 2,169,587	\$ 579,844
Restricted Cash	-	1,696,125	1,696,125	-
Total Cash & Equivalents	\$ 713,885	\$ 3,151,827	\$ 3,865,712	\$ 579,844
Certificates of deposit > 90 days	60,057	525,399	585,456	-
Special Assessment Receivable, net	-	2,064,591	2,064,591	-
Other Receivables, net	30,802	171,816	202,618	-
Due From Other Governments	22,425	2,354	24,779	-
Internal Balances	5,334	65,428	70,762	-
Prepaid Expenses	45,628	-	45,628	13
Noncurrent Assets				
Equity Investment	-	3,837,668	3,837,668	-
Capital Assets, Net	492,483	7,699,934	8,192,417	306,542
Deferred Charges	-	43,723	43,723	-
Total Assets	\$ 1,370,614	\$ 17,562,740	\$ 18,933,354	\$ 886,399
<b>Liabilities</b>				
Accounts Payable	\$ 28,128	\$ 648,434	\$ 676,562	\$ -
Accrued Other Liabilities	3,139	93,781	96,920	-
Internal Balances	38,072	32,690	70,762	-
Noncurrent Liabilities				
Due Within One Year	-	358,872	358,872	-
Due in More Than One Year	-	7,891,249	7,891,249	-
Total Liabilities	\$ 69,339	\$ 9,025,026	\$ 9,094,365	\$ -
<b>Net Assets</b>				
Invested in Capital Assets Net of Related Debt	\$ 492,483	\$ 2,556,085	\$ 3,048,568	\$ 306,542
Unrestricted	808,792	5,981,629	6,790,421	579,857
Total Net Assets	\$ 1,301,275	\$ 8,537,714	\$ 9,838,989	\$ 886,399

*The notes to the financial statements are an integral part of these statements*

**NEW BUFFALO TOWNSHIP**

**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**June 30, 2007**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-Type Activities		
<b>Primary Government</b>							
<i>Governmental Activities</i>							
General Government	\$ 665,947	\$ 309,369	\$ -	\$ (356,578)		\$ (356,578)	
Public Safety	210,231	-	-	(210,231)		(210,231)	
Public Works	19,930	-	-	(19,930)		(19,930)	
Recreation and Culture	26,047	-	-	(26,047)		(26,047)	
Interest on Long-Term Debt	85	-	-	(85)		(85)	
Total Governmental Activities	<u>\$ 922,240</u>	<u>\$ 309,369</u>	<u>\$ -</u>	<u>\$ (612,871)</u>		<u>\$ (612,871)</u>	
<i>Business-Type Activities</i>							
Water	\$ 497,003	\$ 295,453	\$ -		\$ (201,550)	\$ (201,550)	
Sewer	478,602	466,919	-		(11,683)	(11,683)	
Total Business-Type Activities	<u>\$ 975,605</u>	<u>\$ 762,372</u>	<u>\$ -</u>		<u>\$ (213,233)</u>	<u>\$ (213,233)</u>	
Total Primary Government	<u>\$ 1,897,845</u>	<u>\$ 1,071,741</u>	<u>\$ -</u>	<u>\$ (612,871)</u>	<u>\$ (213,233)</u>	<u>\$ (826,104)</u>	
<b>Component Units</b>							
New Buffalo Township Library	<u>\$ 224,730</u>	<u>\$ 71,073</u>	<u>\$ -</u>				<u>\$ (153,657)</u>
<b>General Revenues</b>							
Property Taxes				\$ 365,277	\$ -	\$ 365,277	\$ 196,403
Tap Fees - Infrastructure				-	34,037	34,037	-
State Shared Revenues				140,343	-	140,343	4,700
Interest and Rentals				120,908	83,464	204,372	25,853
Miscellaneous				75,129	-	75,129	3,833
<b>Special Items - Income from Joint Venture</b>				-	12,018	12,018	-
Total General Revenues and Special Items				<u>\$ 701,657</u>	<u>\$ 129,519</u>	<u>\$ 831,176</u>	<u>\$ 230,789</u>
Change in net assets				\$ 88,786	\$ (83,714)	\$ 5,072	\$ 77,132
Net Assets-Beginning				1,212,489	8,621,428	9,833,917	809,267
Net Assets-Ending				<u>\$ 1,301,275</u>	<u>\$ 8,537,714</u>	<u>\$ 9,838,989</u>	<u>\$ 886,399</u>

The notes to the financial statements are an integral part of these statements

**NEW BUFFALO TOWNSHIP**
**GOVERNMENTAL FUNDS BALANCE SHEET  
June 30, 2007**

	General <u>Fund</u>	Ambulance <u>Fund</u>	Building <u>Fund</u>	Non-Major Governmental <u>Fund</u>	Total Governmental <u>Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 391,035	\$ 193,252	\$ 120,762	\$ 8,836	\$ 713,885
Certificates of deposit > 90 days	21,441	38,616	-	-	60,057
Receivables, net	3,621	223	25	-	3,869
Due from other governmental units	22,425	-	-	-	22,425
Due from other governmental funds	4,350	-	-	277	4,627
Due from fiduciary funds	26,933	-	-	-	26,933
Due from proprietary funds	5,334	-	-	-	5,334
Prepaid expenses	45,628	-	-	-	45,628
Total Assets	<u>\$ 520,767</u>	<u>\$ 232,091</u>	<u>\$ 120,787</u>	<u>\$ 9,113</u>	<u>\$ 882,758</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 26,296	\$ 51	\$ 1,781	\$ -	\$ 28,128
Other current liabilities	3,139	-	-	-	3,139
Deferred revenue	128	-	-	-	128
Due to other governmental funds	277	-	4,350	-	4,627
Due to proprietary funds	38,072	-	-	-	38,072
Total Liabilities	<u>\$ 67,912</u>	<u>\$ 51</u>	<u>\$ 6,131</u>	<u>\$ -</u>	<u>\$ 74,094</u>
<b>Fund Balances</b>					
Reserved					
Prepaid expenses	\$ 45,628	\$ -	\$ -	\$ -	\$ 45,628
Unreserved:					
Designated	29,365	-	-	-	29,365
Undesignated	377,862	232,040	114,656	9,113	733,671
Total Fund Balances	<u>\$ 452,855</u>	<u>\$ 232,040</u>	<u>\$ 114,656</u>	<u>\$ 9,113</u>	<u>\$ 808,664</u>
Total Liabilities and Fund Balances	<u>\$ 520,767</u>	<u>\$ 232,091</u>	<u>\$ 120,787</u>	<u>\$ 9,113</u>	
Amounts reported for governmental activities in the statement of net assets are different because:					
* Capital assets used in governmental activities are not financial resources and are not reported in the funds					492,483
* Deferred revenues reported in the governmental funds are recognized as revenues for governmental activities					128
Net Assets of Governmental Activities					<u>\$ 1,301,275</u>

*The notes to the financial statements are an integral part of these statements*

**NEW BUFFALO TOWNSHIP**

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
June 30, 2007**

	General Fund	Ambulance Fund	Building Fund	Non-Major Governmental Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 198,147	\$ 167,130	\$ -	\$ -	\$ 365,277
Service and tax administrator fees	140,402	-	-	-	140,402
Licenses and Permits	1,357	-	-	-	1,357
State Grants	140,343	-	-	-	140,343
Charges for Services	32,435	-	135,175	-	167,610
Fines and Forfeits	494	-	-	-	494
Interest and Rentals	111,571	5,179	4,158	-	120,908
Other Revenues	31,980	37,619	87	4,949	74,635
Total Revenues	<u>\$ 656,729</u>	<u>\$ 209,928</u>	<u>\$ 139,420</u>	<u>\$ 4,949</u>	<u>\$ 1,011,026</u>
<b>Expenditures</b>					
Current					
General Government	\$ 432,617	\$ -	\$ 165,056	\$ 4,625	\$ 602,298
Public Safety	103,735	106,496	-	-	210,231
Public Works	19,930	-	-	-	19,930
Recreation and Culture	26,047	-	-	-	26,047
Debt Service	2,585	-	-	-	2,585
Capital Outlay	180,979	-	-	-	180,979
Total Expenditures	<u>\$ 765,893</u>	<u>\$ 106,496</u>	<u>\$ 165,056</u>	<u>\$ 4,625</u>	<u>\$ 1,042,070</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ (109,164)</u>	<u>\$ 103,432</u>	<u>\$ (25,636)</u>	<u>\$ 324</u>	<u>\$ (31,044)</u>
<b>Other Financing Sources(Uses)</b>					
Operating Transfers In	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfers Out	-	-	-	-	-
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Excess of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>\$ (109,164)</u>	<u>\$ 103,432</u>	<u>\$ (25,636)</u>	<u>\$ 324</u>	<u>\$ (31,044)</u>
Fund Balances-July 1, 2006	562,019	128,608	140,292	8,789	
Fund Balances-June 30, 2007	<u>\$ 452,855</u>	<u>\$ 232,040</u>	<u>\$ 114,656</u>	<u>\$ 9,113</u>	

Amounts reported for governmental activities in the statement of activities are different because:

- \* Governmental funds report capital outlay as expenditures: in the statement of activities, these costs are allocated over their estimated useful lives as depreciation;

Depreciation expense	(63,649)
Capital outlay	180,979
Total	<u>117,330</u>

- \* Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)

Change in Net Assets of Governmental Activities	<u>\$ 88,786</u>
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*The notes to the financial statements are an integral part of these statements*

**PROPRIETARY FUNDS STATEMENT OF NET ASSETS**  
**June 30, 2007**

	Water <u>Fund</u>	Sewer <u>Fund</u>	Total Proprietary <u>Funds</u>
<b>Assets</b>			
Current Assets			
Cash and Cash Equivalents	\$ 497,734	\$ 957,968	\$ 1,455,702
Restricted Cash	1,696,125	-	1,696,125
Total Cash and Equivalents	\$ 2,193,859	\$ 957,968	\$ 3,151,827
Certificates of Deposit > 90 days	175,583	349,816	525,399
Special assessment receivables, net	1,390,618	673,973	2,064,591
Other receivables, net	89,674	70,666	160,340
Due from other governmental funds	38,072	-	38,072
Due from fiduciary funds	-	11,476	11,476
Due from other proprietary funds	-	27,356	27,356
Due from other governments	2,354	-	2,354
Total Current Assets	<u>\$ 3,890,160</u>	<u>\$ 2,091,255</u>	<u>\$ 5,981,415</u>
Noncurrent Assets			
Equity Investment	\$ -	\$ 3,837,668	\$ 3,837,668
Capital Assets	5,337,607	2,362,327	7,699,934
Deferred Charges	43,723	-	43,723
Total Noncurrent Assets	<u>\$ 5,381,330</u>	<u>\$ 6,199,995</u>	<u>\$ 11,581,325</u>
Total Assets	<u>\$ 9,271,490</u>	<u>\$ 8,291,250</u>	<u>\$ 17,562,740</u>
<b>Liabilities</b>			
Current Liabilities			
Accounts Payable	\$ 642,169	\$ 6,265	\$ 648,434
Accrued Interest	48,680	41,501	90,181
Deferred Revenue	3,600	-	3,600
Due to other governmental funds	4,373	961	5,334
Due to other proprietary funds	27,356	-	27,356
Current portion of noncurrent liabilities	214,800	144,072	358,872
Total Current Liabilities	<u>\$ 940,978</u>	<u>\$ 192,799</u>	<u>\$ 1,133,777</u>
Noncurrent Liabilities			
Bonds payable, less current portion	4,348,280	3,542,969	7,891,249
Total Liabilities	<u>\$ 5,289,258</u>	<u>\$ 3,735,768</u>	<u>\$ 9,025,026</u>
<b>Net Assets</b>			
Invested in Capital Assets-Net of related debt	\$ 774,527	\$ 1,781,558	\$ 2,556,085
Unrestricted	3,207,705	2,773,924	5,981,629
Total Net Assets	<u>\$ 3,982,232</u>	<u>\$ 4,555,482</u>	<u>\$ 8,537,714</u>

*The notes to the financial statements are an integral part of these statements*

**NEW BUFFALO TOWNSHIP****PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
June 30, 2007**

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total Proprietary Funds</u>
<b>Operating Revenues</b>			
Water Sales	\$ 162,797	\$ -	\$ 162,797
Sewage Disposal Services	-	381,057	381,057
Penalties and Interest Charges	92,455	62,609	155,064
Installation and Other Miscellaneous Charges	40,201	23,253	63,454
Total Operating Revenues	<u>\$ 295,453</u>	<u>\$ 466,919</u>	<u>\$ 762,372</u>
<b>Operating Expenses</b>			
Personnel Services	\$ 17,332	\$ -	\$ 17,332
Water Purchases	101,126	-	101,126
Contractual Services	20,000	129,328	149,328
Repairs and Maintenance	1,161	2,322	3,483
Other Supplies and Expenses	62,439	14,452	76,891
Depreciation	168,549	140,563	309,112
Total Operating Expenses	<u>\$ 370,607</u>	<u>\$ 286,665</u>	<u>\$ 657,272</u>
Operating Income (Loss)	<u>\$ (75,154)</u>	<u>\$ 180,254</u>	<u>\$ 105,100</u>
<b>Nonoperating Revenues(Expenses)</b>			
Tap Fees - Infrastructure	\$ 3,357	\$ 30,680	\$ 34,037
Interest and Investment Revenue	38,167	45,297	83,464
Gain (Loss) from Joint Venture	-	12,018	12,018
Interest Expense	(126,396)	(191,937)	(318,333)
Total Nonoperating Revenues(Expenses)	<u>\$ (84,872)</u>	<u>\$ (103,942)</u>	<u>\$ (188,814)</u>
Change in Net Assets	\$ (160,026)	\$ 76,312	\$ (83,714)
Total Net Assets-Beginning	<u>4,142,258</u>	<u>4,479,170</u>	<u>8,621,428</u>
Total Nets Assets-Ending	<u><u>\$ 3,982,232</u></u>	<u><u>\$ 4,555,482</u></u>	<u><u>\$ 8,537,714</u></u>

*The notes to the financial statements are an integral part of these statements*

**PROPRIETARY FUNDS STATEMENT OF CASH FLOWS**  
**June 30, 2007**

	Proprietary Funds
<b>Cash Flows From Operating Activities</b>	
Receipts from Customers	\$ 837,897
Payments to Suppliers	(391,140)
Payments to Employees	(12,959)
Net Cash Provided by Operating Activities	<u>\$ 433,798</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Proceeds from Capital Debt	\$ 2,580,135
Purchases of Capital Assets	(1,317,563)
Principal paid on Capital Debt	(356,896)
Interest paid on Capital Debt	(261,080)
Net Cash Provided by Capital and Related Financing Activities	<u>\$ 644,596</u>
<b>Cash Flow From Investing Activities</b>	
Proceeds from Maturities	\$ 106,483
Other receipts	34,037
Net Cash Provided by Investing Activities	<u>\$ 140,520</u>
Net Increase in Cash and Cash Equivalents	\$ 1,218,914
Cash and Cash Equivalents-Beginning	<u>1,932,913</u>
Cash and Cash Equivalents-Ending	<u><u>\$ 3,151,827</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>	
Operating Loss	\$ 105,100
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	309,112
Change in Assets and Liabilities	
Trade receivables, net	(154,980)
Special assessment receivable, net	235,529
Due from other governments	2,852
Due from fiduciary funds	(11,476)
Deferred charges	(43,723)
Accounts Payable	(16,589)
Due to other governmental funds	4,373
Deferred revenue	3,600
Net Cash Provided by Operating Activities	<u><u>\$ 433,798</u></u>

**Noncash Investing, Capital, and Financing Activities**

During the year ended June 30, 2007, there were no noncash investing, capital, and financing activities

*The notes to the financial statements are an integral part of these statements*

**FIDUCIARY FUNDS-STATEMENT OF NET ASSETS**  
**June 30, 2007**

	Agency Funds		
	Property Tax	Trust & Agency	Total
	<u>Collection Fund</u>	<u>Fund</u>	<u>Agency Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 26,630	\$ 25,654	\$ 52,284
Due from other governmental funds	-	-	-
Due from other governmental units	-	-	-
Total Assets	<u>\$ 26,630</u>	<u>\$ 25,654</u>	<u>\$ 52,284</u>
<b>Liabilities</b>			
Due to other governmental funds	\$ 26,630	\$ 303	\$ 26,933
Due to proprietary funds	-	11,476	11,476
Due to other governmental units	-	-	-
Other Accruals	-	13,875	13,875
Total Liabilities	<u>\$ 26,630</u>	<u>\$ 25,654</u>	<u>\$ 52,284</u>

*The notes to the financial statements are an integral part of these statements*

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the New Buffalo Township (the “Township”) conform to accounting principles generally accepted in the United States of America (“GAAP”) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township:

**A. Reporting Entity**

The Township is governed by an elected five-member council (the “Board”). The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. The criteria are established under GASB #39 for which organizations are to be included in the reporting entity. See the following criteria and descriptions for the component units reported:

**Blended Component Units**—A blended component unit is a legally separate entity from the Township, but is so intertwined with the unit that is, in substance, the same as the Township. It is reported as part of the Township and blended into the appropriate fund types. There were no such units at June 30, 2007.

**Discretely Presented Component Units**—The following component units are reported within the “component units” column in the government-wide financial statements. The discretely presented component unit is an entity that is legally separate from the Township, but for which the unit is financially accountable, or its relationship with the unit is such that exclusion would cause the unit’s financial statements to be misleading or incomplete.

**New Buffalo Township Library (the “Library”)**—The Library, which was established under P.A. 164 of 1877 as amended, is governed by a five member board selected by public ballot. Monies received are deposited in the local unit treasury to the credit of the Library Fund. A millage is assessed and collected in the same manner as other township taxes. Complete financial statements as of December 31, 2006 may be obtained directly from the Library at the following address:

New Buffalo Township Library  
33 North Thompson  
New Buffalo, MI 49117

**Jointly Governed Organization—Cemetery Board**—The Township, along with the City of New Buffalo (the “City”), has entered into an agreement which created a joint Cemetery Board (the “Board”) for the operation, care, and control of certain lands jointly used for the Pine Grove Cemetery.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****A. Reporting Entity, concluded**

The Board is comprised of five (5) members; two (2) appointed by the City's Council and two (2) by the Township's Board and the last member, the Chairperson, appointed by the other four (4) members from the elector-at-large. The Township provides, by appropriation, 50% of the total amount requested by the Board for operating the Pine Grove Cemetery. The Township's contribution for 2007 was \$24,000. The budget is submitted annually by the Board and approved by the City and Township.

In accordance with Statement on Michigan Governmental Accounting and Auditing No. 5, the financial statements of the Cemetery Board are not included within the body of the financial statements of the Township. Financial statements are available from the Board, with the following audited summary financial information on the Board as of June 30, 2003 (June 30, 2007, 2006, 2005 and 2004 were unavailable).

Total Assets	\$ 6,331
Total Liabilities	452
Total Net Assets	5,879
Total Revenues	48,443
Total Expenditures	58,638
Decrease in Net Assets	(10,195)

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****B. Government-Wide and Fund Financial Statements, concluded**

and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual—that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

**Property Taxes**--The Township's property taxes attach as an enforceable lien on December 1<sup>st</sup>, on the taxable valuation of property (as defined by State statutes) located in the Township and payable on February 15 of the succeeding year. The

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, continued**

Township's 2006 ad valorem tax is levied and collectible on December 1, 2006 and it is recognized as revenue in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2006 taxable valuation of the Township totaled \$419.6 million, on which ad valorem taxes levied which consisted of .4314 mills for the Township's operating purposes and .4000 mills for ambulance services. These amounts are recognized in the respective General and Special Revenue Funds' financial statements as taxes receivable—current or as tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Ambulance Fund accounts for taxes levied and related expenditures used for ambulance service in the Township.

The Building Fund accounts for revenues generated (i.e. building, electrical and mechanical permit fees) and related expenditures related to the inspection and monitoring of building activity in the Township.

The Township reports the following major proprietary funds:

The Water Fund and Sewer Fund account for the activities of the water distribution system and sewage collection system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected to also follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****C. Measurement Focus, Basis of Accounting and Financial Statement Presentation, concluded**

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D. Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments—Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value and consist of only certificates of deposit greater than 90 days.

Receivables and Payables—In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items—Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED****D. Assets, Liabilities, and Net Assets or Equity, continued**

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets—Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has chosen not to retroactively report any other infrastructure assets and will only report any additions prospectively in accordance with G.A.S.B. #34. Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Land Improvements	10 to 20 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Compensated Absences (Vacation and Sick Leave)—It is the Township's policy to permit employees to accumulate earned but not unused sick and vacation pay benefits. There is no liability for unpaid accumulated vacation and sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government.

Long-Term Obligations—In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED****D. Assets, Liabilities, and Net Assets or Equity, concluded**

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Designations of fund balance represent tentative management plans that are subject to change.

Estimates—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information—Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at the fiscal year end. The Township Supervisor submits the proposed operating budget for the fiscal year commencing July 1<sup>st</sup> and public hearing are conducted to obtain taxpayer comments. After submission, the Township Board formally adopts the budget and any future transfers or amendments must be approved by the Township Board.

The budget document presents information by fund function. The legal level of budgetary control adopted by the governing board (i.e. the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by July 1<sup>st</sup>. Expenditures in excess of the amounts budgeted is violation of P.A. 621 of 1978, Section 18(1) as amended. State law permits Townships to amend its budgets during the year. There were no amendments during the year.

Encumbrance accounting is employed in governmental funds. Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, CONCLUDED**

For the year ended June 30, 2007, the Township did not adopt a budget for the Ambulance fund.

Excess of Expenditures Over Appropriations in Major Budgeted Funds—During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated as follows:

	Original and Final Budget	Actual	Variance
<b>General Fund</b>			
General Government-Legislative	\$ 111,140	\$ 113,524	\$ (2,384)
General Government-Elections	6,500	6,883	(383)
General Government-Assessing Equalization	42,697	51,307	(8,610)
General Government-Cemetery	24,000	25,530	(1,530)
General Government-Planning Commission	8,000	8,653	(653)
General Government-Zoning Board	65,300	66,538	(1,238)
Public Safety-Fire	101,192	103,735	(2,543)
Debt Service	-	2,585	(2,585)
Capital Outlay	-	180,979	(180,979)

Funds sufficient to provide for the excess expenditures were made available from other functions within the fund, and had no impact on the financial results of the Township.

Fund Deficits—The Township has no accumulated fund balance/retained earning deficits in their reported funds.

**NOTE 3. DEPOSITS AND INVESTMENTS**

At June 30, 2007, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-Type Activities	Total Primary Government	Fiduciary Funds	Component Units
Cash and Cash Equivalents	\$ 713,885	\$ 3,151,827	\$ 3,865,712	\$ 52,284	\$ 579,844
Certificates of Deposit > 90 days	60,057	525,399	585,456	-	-
Total	\$ 773,942	\$ 3,677,226	\$ 4,451,168	\$ 52,284	\$ 579,844

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Units
Bank Deposits (checking and savings accounts)	\$ 3,865,012	\$ 52,284	\$ 579,844
Certificates of Deposit > 90 days	585,456	-	-
Petty Cash and Cash on Hand	700	-	-
	\$ 4,451,168	\$ 52,284	\$ 579,844

**NOTE 3. DEPOSITS AND INVESTMENTS, CONTINUED**

**Deposits.** All cash of the Township is on deposit with financial institutions which provide FDIC insurance coverage or in highly liquid pooled money funds.

**Custodial Credit Risk – Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township maintains cash balances primarily using sweep accounts to invest idle cash in U.S. Government backed securities. Non-sweep accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of June 30, 2007, \$516,522 of the Township's non-sweep account bank deposit balance of \$966,692 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Township's name. As of June 30, 2007, the Township had sweep account balances totaling \$3,550,340 that were invested in U.S. Government backed securities. With regard to New Buffalo Township Library, a component unit of the Township, \$272,090 of the Library's bank balance of \$579,594 was exposed to custodial credit risk because it was uninsured.

**Investments.** Michigan law permits investments in: 1) Bonds and other obligations of the United States Government; 2) Certificates of deposit and savings accounts of banks or credit unions who are members of the FDIC and FSLIC, respectively; 3) Certain commercial paper; 4) United States Government repurchase agreements; 5) Banker's acceptance of the United States Bank; and 6) Certain mutual funds. The Township has put further restrictions on those investments through its current policy, and the following investment is permitted by law and policy.

**Interest rate risk.** In accordance with its investment policy, the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Township's cash requirements.

**Credit Risk.** State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2007, the Township had no investment.

**Concentration of Credit Risk.** The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As of June 30, 2007, the Township had no investment.

**NOTE 3. DEPOSITS AND INVESTMENTS, CONCLUDED**

**Custodial Credit Risk – Investments.** For an investment, this is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Township will do business. As of June 30, 2007, the Township had no investments.

**Foreign Currency Risk.** The Township is not authorized to invest in investments which have this type of risk.

**NOTE 4. RECEIVABLES**

Receivables as of year-end for the Township's individual major and nonmajor funds and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General <u>Fund</u>	Water and <u>Sewer</u>	Other-Major <u>Funds</u>	<u>Total</u>
Taxes Receivable	\$ 128	\$ -	\$ 248	\$ 376
Trade Receivables	3,493	160,340	-	163,833
Special Assessments	-	2,064,591	-	2,064,591
Intergovernmental	22,425	2,354	-	24,779
Less: Allowance for Uncollectible	-	-	-	-
Net Receivables	<u>\$ 26,046</u>	<u>\$ 2,227,285</u>	<u>\$ 248</u>	<u>\$ 2,253,579</u>

**NOTE 5. CAPITAL ASSETS**

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<i><b>Governmental Activities</b></i>				
Capital assets not being depreciated				
Land	\$ 44,674	\$ -	\$ -	\$ 44,674
Capital assets being depreciated				
Land improvements	\$ 96,469	\$ -	\$ -	\$ 96,469
Building improvements	253,031	-	-	253,031
Equipment	624,761	180,979	-	805,740
Subtotal	\$ 974,261	\$ 180,979	\$ -	\$ 1,155,240
Less: Accumulated depreciation	(643,782)	(63,649)	-	(707,431)
Net capital assets being depreciated	\$ 330,479	\$ 117,330	\$ -	\$ 447,809
Net capital assets	\$ 375,153	\$ 117,330	\$ -	\$ 492,483

Depreciation expense was charged to programs of the primary government as follows:  
Governmental Activities;

General Government	\$63,649
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## NOTE 5. CAPITAL ASSETS, CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><i>Business-Type Activities</i></b>				
Capital assets not being depreciated				
Land	\$ 4,354	\$ -	\$ -	\$ 4,354
Construction in progress	-	1,487,048	-	1,487,048
	<u>\$ 4,354</u>	<u>\$ 1,487,048</u>	<u>\$ -</u>	<u>\$ 1,491,402</u>
Capital assets being depreciated				
Infrastructure	\$ 9,775,257	\$ 410,542	\$ -	\$ 10,185,799
Equipment	24,602	20,526	-	45,128
Subtotal	<u>\$ 9,799,859</u>	<u>\$ 431,068</u>	<u>\$ -</u>	<u>\$ 10,230,927</u>
Less: Accumulated depreciation	<u>(3,713,283)</u>	<u>(309,112)</u>	<u>-</u>	<u>(4,022,395)</u>
Net capital assets being depreciated	<u>\$ 6,086,576</u>	<u>\$ 121,956</u>	<u>\$ -</u>	<u>\$ 6,208,532</u>
Net capital assets	<u><u>\$ 6,090,930</u></u>	<u><u>\$ 1,609,004</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 7,699,934</u></u>
Depreciation was charged to programs for the business-type activities as follows:				
Water	\$ 168,549			
Sewer	140,563			
	<u><u>\$ 309,112</u></u>			

**Construction Commitments**—The Township has one watermain expansion project in process at June 30, 2007. The watermain expansion project began in the third quarter of fiscal year 2007.

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b><i>Component Unit Activities</i></b>				
Capital assets not being depreciated				
Land	\$ 5,000	\$ -	\$ -	\$ 5,000
Capital assets being depreciated				
Buildings and improvements	\$ 208,814	\$ 9,813	\$ -	\$ 218,627
Furniture and fixtures	168,990	18,259	(11,473)	175,776
Office and library equipment	425,532	30,742	-	456,274
Subtotal	<u>\$ 803,336</u>	<u>\$ 58,814</u>	<u>\$ (11,473)</u>	<u>\$ 850,677</u>
Less: Accumulated depreciation	<u>(513,071)</u>	<u>(47,537)</u>	<u>11,473</u>	<u>(549,135)</u>
Net capital assets being depreciated	<u>\$ 290,265</u>	<u>\$ 11,277</u>	<u>\$ -</u>	<u>\$ 301,542</u>
Net capital assets	<u><u>\$ 295,265</u></u>	<u><u>\$ 11,277</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 306,542</u></u>

**NOTE 6. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Building	\$ 4,350
	Property Tax Collection	26,630
	Trust & Agency	303
	Water	4,373
	Sewer	961
Liquor	General	277
Water	General	38,072
Sewer	Water	27,356
	Trust & Agency	11,476
<b>Total</b>		<u><u>\$ 113,798</u></u>

There were no interfund transfers during 2007.

**NOTE 7. DESIGNATED NET ASSETS**

The Township had the following designated net assets:

**Governmental Activities:**

Fire Reserve	\$ 7,924
Park I-Water	6,563
Park II-Equipment	1,939
Park III-Land	12,939
	<u><u>\$ 29,365</u></u>

**NOTE 8. LONG TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>							
Note Payable							
2003 Skate Park-Recreation & Culture	3.30%	11/1/2006	\$ 2,500	\$ -	\$ (2,500)	\$ -	\$ -
<b>Business-Type Activities</b>							
<i>General Obligation Bonds</i>							
2006 General Obligation Limited Tax Bonds, Series A	4.20%	5/1/2021	\$ 430,000	\$ -	\$ (20,000)	\$ 410,000	\$ 20,000
2007 General Obligation Limited Tax Bonds	4.00 to 4.20%	5/1/2032	-	2,600,000	-	2,600,000	-
<i>Revenue Bonds</i>							
1998 Series A Special Assessment Bond	4.25 to 5.80%	3/1/2018	102,400	-	(9,600)	92,800	9,600
1998 Series B Special Assessment Bond	4.25 to 5.00%	3/1/2019	87,400	-	(9,200)	78,200	9,200
1999 Special Assessment Bond	4.29 to 5.50%	3/1/2013	355,000	-	(95,000)	260,000	100,000
2000 Special Assessment Bond	4.75 to 5.40%	3/1/2015	485,000	-	(60,000)	425,000	55,000
2004 Special Assessment Bond, Series A-Federal loan	4.25%	9/1/2044	403,500	-	(5,000)	398,500	5,000
2004 Special Assessment Bond, Series B-Federal loan	4.75%	9/1/2044	79,500	-	(1,000)	78,500	1,000
2005 Capital Improvement Bonds	2.50 to 4.65%	3/1/2020	265,000	-	(15,000)	250,000	15,000
Unamortized Discounts			(11,801)	-	(18,119)	(29,920)	(2,408)
<b>Subtotal Water Fund</b>			<u>\$ 2,195,999</u>	<u>\$ 2,600,000</u>	<u>\$ (232,919)</u>	<u>\$ 4,563,080</u>	<u>\$ 212,392</u>

## NOTE 8. LONG TERM DEBT, CONCLUDED

	Interest Rate	Principal Matures	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>General Obligation Bonds</i>							
2003 GRSD Sewer Authority Bonds	2.00 to 4.70%	6/30/2029	\$ 3,197,168	\$ -	\$ (90,896)	\$ 3,106,272	\$ 92,872
2005 General Obligation Limited Tax Bonds, Series B	3.30 to 4.60%	5/1/2021	390,000	-	(20,000)	370,000	20,000
<i>Revenue Bonds</i>							
1998 Series A Special Assessment Bond	4.25 to 5.80%	3/1/2018	217,600	-	(20,400)	197,200	20,400
1998 Series B Special Assessment Bond	4.25 to 5.00%	3/1/2019	102,600	-	(10,800)	91,800	10,800
Unamortized Discounts			(81,956)	-	3,725	(78,231)	(3,725)
<b>Subtotal Sewer Fund</b>			<u>\$ 3,825,412</u>	<u>\$ -</u>	<u>\$ (138,371)</u>	<u>\$ 3,687,041</u>	<u>\$ 140,347</u>
Total Business-Type Activities			<u>\$ 6,021,411</u>	<u>\$ 2,600,000</u>	<u>\$ (371,290)</u>	<u>\$ 8,250,121</u>	<u>\$ 352,739</u>

Interest expense was charged to programs for the business-type activities as follow:

Water	\$ 126,396
Sewer	191,937
	<u>\$ 318,333</u>

Annual debt service requirements to maturity for the above obligations are as follows:

Year Ended June 30,	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2008	\$ -	\$ -	\$ 358,872	\$ 310,807
2009	-	-	372,824	296,851
2010	-	-	354,800	289,001
2011	-	-	363,752	280,536
2012	-	-	367,704	271,138
2013-2017	-	-	1,778,800	1,191,585
2018-2022	-	-	1,621,336	895,426
2023-2027	-	-	1,595,224	531,996
2028-2032	-	-	1,295,960	185,529
2033-2037	-	-	79,000	44,214
2038-2042	-	-	100,000	24,138
2043-2045	-	-	70,000	3,168
Unamortized Discount	-	-	(108,151)	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,250,121</u>	<u>\$ 4,324,389</u>

**NOTE 9. EQUITY INVESTMENT (PROPRIETARY FUND)**

The Township participates with Chikaming and Lake Charter Townships, and the Cities of New Buffalo and Bridgman (admitted under 2000 agreement) in a joint venture investment known as the GRSD Sewer Authority (the "Authority"). The Authority provides sewage treatment and collection facilities for the residents of those municipalities.

The Authority is governed by a joint board of six members consisting of one member from each of the participating municipalities appointed by their respective governing bodies, and the sixth member appointed by the other five.

On dissolution of the Authority, net assets will be shared on a pro-rata basis as follows:

New Buffalo Township	16.60%
Chikaming Township	28.60%
Lake Charter Township	16.60%
City of New Buffalo	21.60%
City of Bridgman	16.60%
	<u>100.00%</u>

The Township has accounted for this investment using the equity method. Financial statements are available from the Authority, with the following audited summary financial information on the GRSD Authority as of and for the year ended December 31, 2006, with a report thereto dated May 11, 2007:

Assets	\$ 15,397,217
Liabilities	59,521
Net Assets	15,337,696
Operating Revenues	1,724,310
Operating Expenses	1,686,721
Nonoperating Revenues	34,806
Net Earnings	72,395

The Township's net investment and share of the operating results of the Authority are reported in the Sewer Fund. The Township's equity investment was \$3,837,668 as of December 31, 2006.

**NOTE 10. RISK MANAGEMENT**

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township carries insurance for these risks. Settled claims resulting from these risks have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 11. SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES**

Certain claims, suits, and complaints arising in the ordinary course of business have been filed, appealed, or are pending against the Township.

In the opinion of management and legal counsel, all such matters are covered by insurance or if not so covered, are without merit and, in any event, their ultimate resolution will not have a material effect on the Township's financial position or operations.

**NOTE 12. LEASES**

Operating Leases—The Township leases a postage meter under a non-cancelable operating lease. Total costs for the leases was \$1,272 in the current year. The future minimum lease payments for these leases are as follows:

2008	\$	1,272
2009		1,272
2010		1,272
2011		106
	\$	<u>3,922</u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

**NEW BUFFALO TOWNSHIP****BUDGETARY COMPARISON SCHEDULE-GENERAL FUND  
June 30, 2007**

	Original and Final Budget	Actual	Variance
Beginning of Year Fund Balance	\$ 562,019	\$ 562,019	\$ -
<b>Resources(Inflows)</b>			
Taxes	\$ 182,500	\$ 198,147	\$ 15,647
Service and tax administrator fees	123,000	140,402	17,402
Licenses and Permits	2,537	1,357	(1,180)
State Grants	140,000	140,343	343
Charges for Services	11,700	32,435	20,735
Fines and Forfeits	3,000	494	(2,506)
Interest and Rentals	91,000	111,571	20,571
Other Revenues	30,500	31,980	1,480
Amounts Available for Appropriation	<u>\$ 584,237</u>	<u>\$ 656,729</u>	<u>\$ 72,492</u>
<b>Charges to Appropriations(Outflows)</b>			
General Government			
Legislative	\$ 111,140	\$ 113,524	\$ (2,384)
Supervisor	17,148	16,967	181
Elections	6,500	6,883	(383)
Assessing Equalization	42,697	51,307	(8,610)
Clerk	46,033	45,084	949
Board of Review	1,450	939	511
Treasurer	56,413	55,972	441
Building and grounds	40,900	35,810	5,090
Cemetery	24,000	25,530	(1,530)
Planning Commission	8,000	8,653	(653)
Zoning Board	65,300	66,538	(1,238)
All other general government	13,800	5,410	8,390
Public Safety			
Fire	101,192	103,735	(2,543)
Public Works			
Public works, streets, highways, and lights	26,600	19,930	6,670
Recreation and Culture			
Parks and recreation	26,200	26,047	153
Debt Service	-	2,585	(2,585)
Capital Outlay	-	180,979	(180,979)
Total Charges to Appropriations	<u>\$ 587,373</u>	<u>\$ 765,893</u>	<u>\$ (178,520)</u>
End of Year Fund Balance	<u>\$ 558,883</u>	<u>\$ 452,855</u>	<u>\$ (106,028)</u>

**BUDGETARY COMPARISON SCHEDULE-BUILDING FUND**  
**June 30, 2007**

	Original and <u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning of Year Fund Balance	\$ 140,292	\$ 140,292	\$ -
<b>Resources(Inflows)</b>			
Charges for Services	\$ 198,300	\$ 135,175	\$ (63,125)
Interest and Rentals	3,500	4,158	658
Other Revenues	100	87	(13)
Amounts Available for Appropriation	<u>\$ 201,900</u>	<u>\$ 139,420</u>	<u>\$ (62,480)</u>
<b>Charges to Appropriations(Outflows)</b>			
General Government	\$ 200,129	\$ 165,056	\$ 35,073
Total Charges to Appropriations	<u>\$ 200,129</u>	<u>\$ 165,056</u>	<u>\$ 35,073</u>
End of Year Fund Balance	<u><u>\$ 142,063</u></u>	<u><u>\$ 114,656</u></u>	<u><u>\$ (27,407)</u></u>

## **OTHER SUPPLEMENTAL INFORMATION**

**NEW BUFFALO TOWNSHIP****BALANCE SHEET – NON-MAJOR GOVERNMENTAL FUND****June 30, 2007**Liquor  
Fund**Assets**

Cash and Cash Equivalents	\$	8,836
Taxes Receivable		-
Accounts Receivable		-
Due from other governmental funds		277
Due from Fiduciary Funds		-
Total Assets	\$	<u>9,113</u>

**Liabilities and Fund Balance****Liabilities**

Accounts Payable	\$	-
Due to other governmental funds		-
Total Liabilities	\$	<u>-</u>

**Fund Balance**

Reserved	\$	-
Unreserved:		
Designated		-
Undesignated		9,113
Total Fund Balance	\$	<u>9,113</u>

Total Liabilities and Fund Balance	\$	<u>9,113</u>
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**NEW BUFFALO TOWNSHIP****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUND  
June 30, 2007**

	Liquor <u>Fund</u>
<b>Revenues</b>	
Taxes and Penalties	\$ -
Charges for Services	-
Interest and Rentals	-
Other Revenues	4,949
Total Revenues	<u>\$ 4,949</u>
<b>Expenditures</b>	
Current	
General Government	\$ 4,625
Public Safety	-
Capital Outlay	-
Total Expenditures	<u>\$ 4,625</u>
<b>Excess of Revenues Over Expenditures</b>	\$ 324
 Fund Balance-July 1, 2006	 <u>8,789</u>
Fund Balance-June 30, 2007	<u><u>\$ 9,113</u></u>



December 7, 2007

To the Board of Trustees  
New Buffalo Township, Michigan

In planning and performing our audit of the financial statements of New Buffalo Township ("Township") for the year ended June 30, 2007, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control structure and its operation that we consider opportunities for strengthening internal controls and operating efficiency.

*CURRENT YEAR RECOMMENDATIONS:*

**Annual Budgets**

For the year ended June 30, 2007, the Township did not adopt a budget for the Ambulance fund (a major special revenue fund).

We recommend that the Township legally adopt annual budgets for all major special revenue funds.

*PRIOR YEAR RECOMMENDATIONS:*

The prior year recommendation for the Township to expand their current disclosure requirements addressing common risks of deposits and investments was adopted.

We would be happy to discuss these recommendations and comments with you at your convenience. We would also like to express our appreciation for the courtesy and cooperation extended to us during the engagement.

This report is intended solely for the information and use of the Board of Trustees, management, and others within the Township.

A handwritten signature in cursive script that reads "Schaffer &amp; Layher".

Schaffer & Layher  
St. Joseph, Michigan

David Schaffer, CPA  
Michael Layher, CPA  
*Founding Partners:*  
Morris McMurray, CPA  
Raymond Marks, CPA  
Jeff Edmunds, CPA